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Before the
Federal Communications Commission
Washington, D.C. 20554

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JUN 26 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Implementation of the Telecommunications
Act of 1996)

CC Docket No. 96-115

Telecommunications Carriers' Use of
Customer Proprietary Network Information
and other Customer Information)

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REPLY COMMENTS OF BELL ATLANTIC¹

I. Introduction and Summary

The Commission's rules implementing Section 222 of the Communications Act² should be driven primarily by the desires and expectations of the public, not by self-serving attempts by some telecommunications service providers to obtain an artificial competitive advantage. The purported benefits to consumers from protection of customer proprietary network information ("CPNI") will be elusive if the Commission's rules serve only to impede the public's ability to obtain the desired products and services. And the public interest benefits of opening all markets to competition will be lost if some service providers are given an unfair

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² 47 U.S.C. § 222.

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competitive advantage by virtue of asymmetrical regulation.³ Accordingly, the Commission should apply the same CPNI rules to all telecommunications carriers.

Consistent with the public's desire for one-stop shopping, all marketing personnel of an integrated carrier should have access to CPNI to sell all of that company's products and services. Customers should be given a one-time notification and the opportunity to restrict such access, but a requirement for prior authorization is neither required by the Act nor is it in the public interest.

II. The Record Supports One-Time Notification With Opportunity to Opt-out.

The overwhelming majority of parties recognize that a requirement to obtain prior approval from each customer before a company's marketing personnel may use CPNI from one service to market another is unworkable, particularly for the mass consumer market. To remedy this problem, parties propose either giving customers a one-time notice and the right to "opt-out" by restricting access to their records,⁴ and/or a broader definition of services, eliminating the traditional division of services into interexchange, local, and commercial mobile radio services.⁵ The Commission could well adopt both of these interpretations. If it selects one of them, Bell Atlantic urges the Commission to adopt the former approach, one-time notice to customers and an opportunity to opt-out. Giving customers the opportunity to deny access to CPNI by certain

³ Bell Atlantic is not separately addressing comments on subscriber list information but supports the reply comments of the Yellow Pages Publishers Association.

⁴ *E.g.*, GTE at 6-8, AT&T at 12-16, Pacific Telesis Group at 7-10.

⁵ *E.g.*, US WEST at 15-19, United States Telephone Association at 3-4, BellSouth at 6-12.

sales personnel within an integrated firm is consistent with the Commission's long-standing policies established in Computer Inquiries II and III and with its telemarketing rules.⁶ This approach also meets the public's one-stop shopping expectations, discussed below.

III. There is No Justification For Imposing More Stringent CPNI Rules on the BOCs or Incumbent LECs.

Several parties want the Commission to saddle either the Bell operating companies ("BOCs") or all incumbent local exchange carriers ("LECs") with more stringent CPNI requirements than are imposed on other telecommunications carriers. They advocate rules that would require prior customer approval before integrated sales personnel could have access to CPNI and that would require all customers to be notified of their rights annually or even more frequently.⁷ Some even urge that the effectiveness of prior approval be limited in duration, forcing customers to renew their approval as often as every six months.⁸ Not one of the parties that urge asymmetrical regulations attempts to show how the public interest, as opposed to their private interests, would benefit. This is because most members of the public want and expect an integrated telecommunications firm, LEC or non-LEC, to be able to market all of its products and services on an integrated basis, without the need to give prior approval. For this reason, the Commission should require only a one-time direct notification to each customer along with a brief statement of customers' CPNI rights in the "white pages" directories.

⁶ *See* Comments of Bell Atlantic at 7-9.

⁷ *See e.g.*, MCI at 18-20, Teleport Communications Group, Inc. at 4-6, AirTouch Communications, Inc. at 5-10, AT&T at 3-4, Arch Communications Group, Inc. at 12-14.

⁸ Consumer Federation of America at 7-8, Telecommunications Resellers Association at 16.

A. The Public Wants One-Stop Shopping.

This concept is not new to the Commission. As Bell Atlantic pointed out in its initial comments, the Commission has repeatedly found that the public wants the opportunity to turn to a single provider for all services and products.⁹ Whether or not they ultimately use multiple providers, the record shows that customers expect that each provider with which they deal will be able to review their service and billing records and recommend the best package of products and services to meet their needs. For example, a comprehensive study by Aragon Consulting Group confirms customers' desire for one-stop shopping.¹⁰ Another recent poll shows that "[l]arge numbers of consumers and business would likely defect from [their existing provider] if it can't provide one-stop shopping for all communications needs."¹¹

Other studies confirm these findings. The last time the Commission asked for comments on CPNI, Bell Atlantic submitted a summary of a study conducted by Louis Harris and Associates and Dr. Alan Westin showing that 63% of the public approved of subsidiaries of the same corporate family sharing customer information in order to offer their services or products.¹² Subsequent studies have come to the same conclusion. In one independent survey, nearly 86% of small businesses preferred to deal with a single company for all services and

⁹ Comments of Bell Atlantic at 6.

¹⁰ *See* Cincinnati Bell Telephone Company at Att. A.

¹¹ Contra Costa Times (June 19, 1996). A copy of that article is attached.

¹² Supplemental Comments of Bell Atlantic, CC Docket No. 90-623 at Att. 1 (filed May 5, 1994) ("1994 Filing"). A copy of this filing is attached.

products.¹³ In another, two-thirds of consumers wanted to be offered “bundled” services (i.e., one-stop shopping),¹⁴ while 95% of residential customers in a recent Bell Atlantic survey preferred having at least two categories of services offered on a bundled basis.

The more diverse the products and services that a vendor offers, the more compelling the need for one-stop shopping is to the customer, because the larger, multi-product carriers can best meet customers’ one-stop shopping desires by offering comprehensive packages of products and services. To meet the public interest needs, it is those firms, and not just small one- or two-product companies, that need the ability to jointly market their products without forcing customers to fill out forms or deal with multiple sales personnel.

Providing this one-stop shopping convenience clearly does not contravene privacy expectations, because, as several parties noted, most customers’ privacy concerns do not arise until information is disclosed to third parties.¹⁵ and the Commission’s rules can give the few concerned customers the right to restrict CPNI access within the integrated enterprise. Nor are competitive issues raised, because the Commission has found on multiple occasions that the public interest is best served by allowing customers to restrict access to CPNI within an integrated firm, not by requiring prior approval.¹⁶ Accordingly, the record strongly supports uniform CPNI rules that facilitate one-stop shopping

¹³ *See* Comments of Bell Atlantic at 6-7.

¹⁴ *Id.*

¹⁵ *E.g.*, AT&T at 13. BellSouth at 13-14, Pacific Telesis Group at 12-13.

¹⁶ *See* Comments of Bell Atlantic at 8.

B. Existing CPNI Rules Confuse and Anger Customers.

In 1994, Bell Atlantic provided quotations from its customers showing that they strongly prefer the ability to obtain one-stop shopping and are angered and confused when, as a result of the existing CPNI rules, they cannot obtain information about all Bell Atlantic products from the same person.¹⁷ For example, small business customers that called Bell Atlantic's Business Offices told sales personnel that Bell Atlantic "should look for ways to improve my services to my customers with [a full range of] telecommunications products" and that "[m]arketing reps. should tailor the products/services they offer for the customer's needs." They indicated that they "want the vendor to put a complete package together."

When told that certain sales personnel could not sell enhanced services because of the Commission's CPNI rules, many became confused and angered. One customer, upon reaching a sales representative who had access to CPNI restricted records and was, therefore, prohibited from selling enhanced services, remarked, "[t]he rep. who answered the phone couldn't give me rates for Answer Call. I didn't like being transferred [to a representative who was authorized to sell enhanced services]." Upon being told about the right to authorize release, an above-20 line customer refused, complaining that "[i]t takes a lot of time to fill out the form in my bill, find a stamp, and mail it." Therefore, even if customers realize that they must authorize access to CPNI within an integrated firm, they find that providing such authorization in order to find out about a carrier's range of services is an unnecessary imposition, at best. A copy of Bell Atlantic's 1994 filing, with many additional customer quotes regarding CPNI, is attached.

¹⁷ 1994 filing at Att. 2.

IV. CPNI Notification Forms Will Largely Go Unheeded.

The Commission should reject the arguments of the LECs' competitors that want CPNI rules that they may use as a competitive weapon rather than rules that serve the public interest. These parties are aware that a requirement for affirmative customer approval, particularly for residential and small business customers, is tantamount to denial of permission to use CPNI. This is not because customers want to forego the benefits of one-stop shopping, but rather because they can be expected to ignore the LECs' prior approval notices, or because they fail to understand their implications. Most consumers simply do not read bill inserts and cannot be bothered to review and fill out forms. As the customer statements quoted above and in the attached Supplemental Comments show, even larger business customers cannot be bothered to deal with the CPNI forms, even though they want one-stop shopping. They view the CPNI release exercise as an imposition, not a benefit.

Customers that are most likely to pay attention to the notifications are those few consumers who are concerned about use of this information. These customers, not the majority who expect an integrated firm to use CPNI to sell all products and services, will be likely to pay attention to the notifications and directory information and return the restriction forms. The Commission should not force burdensome prior approval requirements on all consumers to satisfy the concerns of a few

After divestiture, selection of pre-subscribed interexchange carriers took repeated mailings coupled with considerable publicity and substantial news coverage. Even then, a great many customers failed to select a carrier. Without the media blitz, the overwhelming majority of

customers do not see the need to devote time and attention to understanding what the CPNI notices mean and will throw them away without consideration.

V. The Act Requires the Same Rules For All Carriers.

Moreover, maintaining disparate CPNI rules for different carriers would be inconsistent with the Act. As several parties point out, Congress restricted the applicability of several sections and subsections of the 1996 Act to certain classes of carriers.¹⁸ Such is not the case with Section 222, which applies on its face to “[e]very telecommunications carrier.”¹⁹ The conference report reiterates Congressional intent that “it is the duty of every telecommunications carrier to protect the confidentiality of proprietary information.”²⁰ It is apparent that Congress intended the provisions of Section 222 to apply equally to all telecommunications carriers.

To avoid disparate treatment of different carriers, the Commission must repeal existing Computer Inquiry II and III provisions that impose more stringent obligations than required under Section 222. As NYNEX points out, in adopting Section 222 to restrict use of CPNI, Congress adopted a comprehensive statutory provision that is intended to supersede inconsistent Commission regulations that address only certain services and a few carriers.²¹ Accordingly, once the Commission completes this proceeding, the only remaining rules relating to CPNI should be those applicable to all carriers promulgated pursuant to Section 222.

¹⁸ For example, § 251(a) applies to all carriers, § 251(b) to all LECs, § 251(c) to incumbent LECs, and §§ 271-276 to the BOCs.

¹⁹ 47 U.S.C. § 222(a).

²⁰ H.R. Conf. Rep. No. 104-458, 104th Cong., 2d Sess., at 205 (1996).

²¹ *See* NYNEX at 18-20.

VI. There Is No Justification For Disparate Treatment of Payphone Providers.

While most competitors propose disparate treatment of BOCs or incumbent LECs across-the-board, APCC limits its request for disparate treatment to LEC and non-LEC payphones.²² APCC asserts that information on calls from independent payphones is CPNI that the LECs may not use for their own marketing purposes without prior consent. It claims, however, that usage information from LEC payphones is aggregate information that must be disclosed to competitors if used by the LEC. There is no basis for such discrimination. Both LEC and independent payphones are placed on a location provider's premises under contract or lease with that location provider for the use of its patrons. Because of the nature of payphone service, the Commission should consider the entity that deals directly with the users, the service provider -- whether LEC or non-LEC -- to be the payphone customer for CPNI purposes.²³ There is no justification for giving the discriminatory treatment that APCC wants.

VII. Written Request Is Needed to Disclose To Any Third Party.

AT&T asserts that prior written consent should not be required for disclosure of CPNI to an unaffiliated local exchange provider that the customer has newly-selected to provide local service.²⁴ AT&T is wrong. Section 222(c)(2) requires "affirmative written request by the

²² American Public Communications Council ("APCC") at 2-5.

²³ *See* 47 U.S.C. § 276.

²⁴ AT&T at 17-18.

customer [to disclose CPNI] to any person designated by the customer.”²⁵ There is no expressed or implied exception for a change in service providers. Nor would any such an exception be workable. A customer may change providers for local exchange service, for one or more high-capacity private line or special access service, or for interexchange service, and customers may or may not wish to disclose CPNI to all service providers. The Commission should confirm that prior written consent is required for disclosure of CPNI to any unaffiliated service provider.

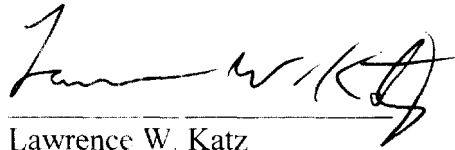
VIII. Conclusion

Accordingly, the Commission should adopt policies implementing Section 222 that meet the public's expectations and needs, not the private interests of competitors.

Respectfully Submitted.

**The Bell Atlantic Telephone
Companies**

By their Attorney



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June 26, 1996

²⁵ 47 U.S.C. § 222(c)(2).

BELL ATLANTIC CORPORATION * NEWS MEDIA SUMMARY

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CONTRA COSTA TIMES

JUNE 19, 1996

By George Avalos, Contra Costa Times, Walnut Creek, Calif.

Knight-Ridder/Tribune Business News

SAN RAMON, Calif.--Jun. 19--Large numbers of consumers and businesses would likely defect from Pacific Bell if it can't provide one-stop shopping for all communications needs, a survey of telephone customers suggests.

If customers can't get one bill from Pac Bell for their local telephone, long-distance, television, wireless and on-line services, the phone company stands to lose a large share of its customer base, according to findings in a December 1995 poll of 800 phone customers conducted by ComStat Inc. of San Francisco.

Pac Bell must ponder these conclusions as the phone company prepares to combat a host of rivals in California's local telephone and long-distance markets.

"Let the games begin," said Afshin Mohebbi, a Pacific Bell vice president who is leading the company's efforts to compete for business customers.

Pac Bell is readying a defense of its local phone markets, which are being eyed by big companies like AT&T, MCI, Sprint and LCI International, along with competitive upstarts like MFS Communications Co. and Teleport Communications Group. At the same time, Pac Bell is mapping the best routes to invade the various long-distance kingdoms in California.

The long-distance carriers and the Baby Bells want permission from government regulators to be able to compete in each other's markets at the same time. Pac Bell and its telephone competitors are jockeying for the best starting position to offer a package of all or most communications services.

About 68 percent of residential customers said they are "very likely" to switch to a company that can be the single source for their telecommunications needs, according to the survey, which Pac Bell had commissioned. About 90 percent of the home telephone users said they are "likely" to switch. Business customers expressed similar preferences, but to a slightly lesser degree, the survey found.

That portion of the study suggests Pac Bell could be vulnerable if it can't secure permission to enter long-distance markets at the same time an array of competitors are capturing the company's local and toll-call customers.

BELL ATLANTIC CORPORATION * NEWS MEDIA SUMMARY

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CONTRA COSTA TIMES

JUNE 19, 1996

But the study also shows Pac Bell commands an edge over its rivals if the phone company can actually offer a full menu of services.

Residential customers prefer Pacific Bell over AT&T as a single-source provider by a margin of 44-31 percent. Business customers prefer Pac Bell by a 41-to-32 percent margin. The remaining customers said they preferred another company or didn't have an opinion.

Both companies have plenty at stake. AT&T projects it can capture one-third of the local phone markets controlled primarily by the seven Baby Bells. In California, that market generated about \$6.7 billion in 1995.

At the same time, analysts say Pacific Bell and its siblings can grab one-third of the long-distance business, which in California produced \$8.3 billion in revenues last year. Even 5 percent of that business could produce \$400 million more for Pac Bell.

"We feel we feel we can make an impact in the market," said Kathi Oram, an AT&T spokeswoman. "That won't happen overnight by any stretch. Over a period of time, we can garner about 30 percent."

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

MAY 5 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Computer III Remand Proceedings:
Bell Operating Company Safeguards;
and Tier 1 Local Exchange Company
Safeguards

CC Docket No. 90-623

Application of Open Network
Architecture and Nondiscrimination
Safeguards to GTE Corporation

CC Docket No. 92-256

SUPPLEMENTAL COMMENTS OF BELL ATLANTIC¹

These comments supplement Bell Atlantic's filing on the initial April 11 due date, prior to the Commission's *sua sponte* extension of time.²

In the initial comments, Bell Atlantic cited a recent — national survey by Louis Harris and Associates and Dr. Alan Westin showing that customers expect an integrated company to be able to market all of its products and services together.³ That study has subsequently been published and is referenced in a trade publication, the relevant pages of which appear in Attachment 1.⁴ It shows that nearly two-thirds of the public

¹ The Bell Atlantic Telephone Companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² Order, DA 94-331 (rel. April 14, 1994).

³ Comments of Bell Atlantic at 9-10 (filed April 11, 1994).

⁴ "New Harris Survey Sheds Light on FCRA Issues," *Privacy & American Business*, Vol. 1, No. 3 at 7, 13-14 (1994).

finds it acceptable for one subsidiary of a firm to share customer information with another subsidiary in order that the second can solicit customers for its products or services.⁵

Attachment 2 contains quotes and paraphrased statements showing that Bell Atlantic's customers have similar expectations to those polled in the national survey. These quotes and statements are from customer calls to Bell Atlantic's business offices and comments written on CPNI notification response forms. They show that Bell Atlantic's customers expect Bell Atlantic to be able to offer all of its products and services on an integrated basis, and that they strongly desire that result.⁶ Artificial restrictions on access to customer information are inconsistent with these expectations.

These customer quotes were obtained after the recent publicity regarding merger and acquisition activity in the telecommunications industry. None of them distinguished between services and products developed in-house, as opposed to those acquired by merger or acquisition. Accordingly, there is no reason to assume any different customer expectations based on the genesis of the service or product, and no reason to reconsider the customer proprietary network information ("CPNI") rules to take account of merger activity.

⁵ *Id.* at 14.

⁶ Some, but not all, of the quoted customers had CPNI-restricted records.

Also included in Attachment 2 are statements from customers and from Bell Atlantic marketing personnel with customer contact responsibilities that demonstrate frustration and anger at the difficulties they face in dealing with Bell Atlantic as a result of the CPNI rules. Customers do not understand why there should be any distinction in marketing basic network services, enhanced services (a concept that most fail to understand) and customer premises equipment and are confused as to the impact of restricting or not restricting records. They particularly express their displeasure when they must talk with more than one service representative to obtain answers to questions about enhanced services or to place basic service orders if their records are restricted.⁷

⁷ Calls to Bell Atlantic business offices are randomly distributed to representatives who may sell enhanced services (and, therefore, may not have access to restricted CPNI) and those who have access to all CPNI (and, therefore, may not sell enhanced services).

These statements show that the existing CPNI rules do not benefit customers -- they only help competitors by eliminating the benefits of enhanced services integration. More onerous rules will simply add to customer inconvenience and confusion.

Respectfully submitted,

**The Bell Atlantic Telephone
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PRIVACY & AMERICAN BUSINESS

IN DEPTH

Financial Services and Consumer Privacy

New Harris Survey Sheds Light on FCRA Issues

Spring 1994 brings rain, crocuses, and debates in Congress over revision of the Fair Credit Reporting Act of 1970. (See our accompanying article.) Observers of FCRA struggles will find very interesting the trends reported in a new (January 1994) Louis Harris national survey that probed the public's views on credit reporting and FCRA issues — especially those findings that the public sees major benefits in having uniform federal rules for credit reporting and also approves sharing of customer information among affiliates of a company.

High Approval of Credit Reports

Any balanced judgment about the reasonableness and social utility of collecting particular personal information rests on how valuable the product of such activity is seen as

being to the individual involved and to the larger society. If the uses are not valued, there is little justification for requiring disclosure or for trying to work out acceptable fair information practices safeguards.

The 1994 Harris survey probed public perceptions on requiring credit checks. Repeating questions asked in 1990 (*The Equifax Report on Consumers in the Information Age*, by Louis Harris & Associates and Dr. Alan F. Westin), the 1994 survey found that 92% of the public agree that "when people want to borrow money, the company giving them credit should be able to check on their credit records." Similarly, 92% believe that "when people apply for a credit card, the company issuing the credit card should be able to check on their credit and credit card records."

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Innovative Policies Casefile: Privacy Issues at American Express

American Express, founded in 1850, is a global financial-services firm with 2,200 offices in 130 countries. It has 65,000 employees worldwide and generated \$1.5 billion in operating revenues in 1993. Since the 1950's, American Express (AE) has gone through three eras of organizational development that bear directly on consumer privacy issues:

■ **AE 1950-1980:** AE launched its travel and entertainment credit card in 1958; moved into computerization heavily in 1962-1968; expanded into publishing of travel magazines; and began acquiring businesses in other fields (e.g., Fireman's Fund Insurance

Co., a property-casualty insurer). During this era, computerization of sensitive credit card information and its greater accessibility became part of the growing public concern about "data bank threats" to privacy.

In response, AE adopted strong policies covering release of Cardmember data to third parties, and became (in 1974) the first U.S. charge card firm to provide its Cardmembers with an annual opt out from marketing uses of the Cardmember's name and address. AE also supported strong privacy protection policies in testimony before the U.S. Privacy Protection

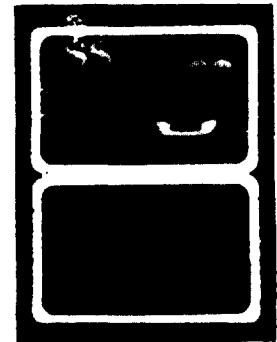
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INSIDE IN DEPTH

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American Express
Opt Out Form 10

American Express
Privacy Principles 11

FCRA in Jeopardy
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FCRA Survey

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Such high acceptance of credit reports for granting loans and issuing credit cards represents very broad endorsement of the credit reporting process for consumer credit.

The 1994 Harris survey then set out to probe the public's views on the value of credit reports to consumers themselves. It asked:

"If businesses extending credit could not obtain accurate and relevant national credit bureau reports about a consumer's record of paying bills, how likely do you think it could be that ...

1. many businesses would cut back on extending credit, to only the best customers?" 83% of the public said this would happen. (15% did not, with 2% not sure).

2. the cost of credit would go up, to cover increases in bad debts." 89% of the public believed this would happen (10% disagreed, with 1% not sure).

51% of Americans believe their consumer privacy rights are "adequately protected" today...

3. it would probably take several weeks rather than several days to get a loan approved." 83% saw this as likely (15% disagreed, with 3% not sure).

4. many businesses would ask for the loan to be secured." 85% felt this could happen (11% disagreed and 4% were not sure).

These answers show that more than 8 out of every 10 Americans believe the current credit reporting system is directly beneficial to consumers—facilitating the availability of consumer credit, keeping credit costs down, speeding up credit decisions, and opening up credit opportunities to many who could not offer security for loans. It is hard to imagine a more positive public endorsement of the American credit granting process today. In addition, these views are held by large majorities of all demographic groups covered in Harris surveys—blacks, hispanics, and whites; young, middle-aged, and

older persons; females and males; respondents from across the educational spectrum; at all income levels; in cities, suburbs, and rural areas; and by conservatives, moderates and liberals.

Rising Confidence About Consumer Rights

Results of Harris Consumer Privacy surveys in 1990 and 1991 showed that rising majorities of the public were worried about their privacy rights in credit reporting. When asked whether they agreed or disagreed with the statement, "My privacy rights as a consumer in credit reporting are adequately protected today by law and business practice," 51% of the public disagreed in 1990, and 58% did not feel so protected in 1991. Put another way, only 46% of Americans in 1990 and an even smaller 37% in 1991 believed that their consumer privacy rights were being well protected.

When this question was repeated on the Harris survey, Consumers and Credit Reporting 1994, a major shift was recorded. Fifty-one percent of the public now believe their consumer privacy rights are "adequately protected today by law or business

practice." Forty-six percent disagree. The negative judgment is down 12% from 1991.

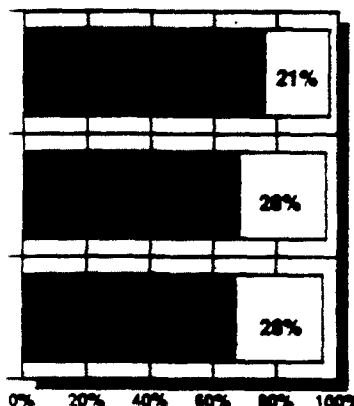
Since the federal law on credit reporting has not been amended since 1991, this shift must rest on public perceptions that industry practices in privacy protection are improving, or that federal and state agencies administering existing statutes have been doing a better job, or, a growth in the perceptions of about 12% of the public that both trends have been taking place.

Consumers and FCRA

A narrow majority of the public—53%—say they have heard about "consumer issues involving the use of credit reports and operations of credit bureaus." But only one American in four—25%—say they have "heard any thing about proposed legislation in Congress to change federal rules on credit reporting." (The question spelled out what the proposed legislation would cover.) The demographic group patterns on knowledge about FCRA reform followed standard "knowledge of public affairs" divisions: knowledge is highest among the better educated, higher income

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Public Sees Benefits In One Federal Law For Credit Reporting



■ Having One Federal Law □ Allowing Additional State Laws

Source: Louis Harris and Associates Survey Conducted for MasterCard International and VISA, USA 1994

FCRA Survey

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and middle-aged Americans (30-49) and lowest among the lowest educated, lowest income, and the youngest and oldest respondents.

FCRA and Federal Preemption

Whether an area of public policy should be governed by federal rules or be subject to varying state legislation is an issue as old as the Republic and as current as the computer age. Rationally, federal rules seem wise

very high majorities approve sharing customer information among corporate affiliates

when problems or activities are national in scope, involve multi-state transactions or when citizens believe they should be equally treated throughout the U.S. State discretion is well-founded when novel social policies are to be experimented with locally before attempting national rules, when distinct regional or state cultural identities are involved, or when the adopted federal rules seem highly limited and state variations would create few hardships.

A central issue in Fair Credit Reporting Act reform has been whether uniform federal rules should be set for the three national consumer reporting companies and the nationwide credit grantors they serve or to allow state credit reporting laws to set different regulations. To test public views, the 1994 Harris survey described this choice and asked respondents which approach they thought would most likely produce various consumer benefits presented to them. (The question read: "American consumers obtain all kinds of loans, including home mortgages, credit cards, and retail credit from creditors who lend to consumers located throughout the nation. This system relies on credit bureau reports that provide credit grantors with information on whether individual consumers pay their bills and loans on time. Congress is currently considering legislation to update the 1970 federal law on consumer rights in

credit reporting. Which approach do you think would be likely to produce (the effect stated) — having one federal law regulating credit reporting with national rules OR allowing various states to pass additional laws with different rules?" The two answers were rotated each time, to avoid any bias in the order of presentation.)

■ The first effect tested was "more accurate credit reports." Sixty-seven percent of the public felt that one federal law would produce more accurate credit reports, while 28% saw allowing additional state laws as likely to have that effect

■ The second effect tested was "less confusion for consumers." Three out of four respondents - 76% - said that federal rules would have that effect to 21% choosing state laws

■ The third effect tested was "a more efficient way for consumers to get credit." Sixty-eight percent of the public felt that federal rules would more likely have this effect than varying state laws (chosen by 28%).

Demographically, every standard group (gender, race, age, income, education, etc.) recorded a majority in favor of federal pre-emption. Younger Americans (18-29) and people with higher incomes were even higher than the general public in choosing uniform federal rules as likely to create all three consumer benefits. Especially interesting is the fact that the 56% of Americans who said they had applied for any form of credit in the past two years were much higher in choosing federal rules to achieve the three consumer benefits than the 44% who had not used the credit system in the past two years.

Information-Sharing and the FCRA

Another important issue in FCRA reform involves sharing of customer information among affiliates of the same company for the purpose of offering the customer products or services of other subsidiaries. A Harris question read: "Now, I'd like to ask you some questions about offers corporations often make to consumers. For example, one subsidiary or company within a corporate family may want to mail an offer of products or services to customers of another subsidiary or company within the same corporate family because they

believe the customer would be interested in those products or services. Before extending the offer, information about the customer is shared with the subsidiary making the new offer. How acceptable is this use of customer information among subsidiaries of the same corporate family to make offers of services or products?" Sixty-three percent of the public felt it acceptable for "subsidiaries of the same corporate family" to share customer information "to make offers of services or products."

When asked about specific examples, 71% said it is acceptable to offer a credit card to customers who have a mortgage with one of the other subsidiaries; 77% to offer a credit card to customers who have a checking account with one of the other subsidiaries; 70% to offer insurance to customers who have a loan with one of the other subsidiaries; and 71% to offer mutual funds to customers who have a checking account or loan with one of the other subsidiaries.

Again, strong majorities of all demographic groups supported such intra-company information sharing. Blacks, hispanics, younger (18-29) and middle-aged (30-49) Americans, and higher-income groups favored

every demographic group (gender, race, age, income, education, etc.) favors federal pre-emption.

such information-sharing at higher levels than the general public.

Useful Input in FCRA Debates

The 1994 Harris survey results should be a useful input to congressional staffs and legislators, interest groups and the media following FCRA debates this spring. While these issues of federal preemption and intra-company information sharing are complex, the survey offers persuasive data on how the American public reacts to the consumer privacy interests involved in FCRA reform.

See page 20 to order a copy of the Survey Report, *Consumers and Credit Reporting 1994*

CPNI Rules Do Not Benefit Customers

The following is a sample of quotes and paraphrased statements from Bell Atlantic's customers that relate to this proceeding. The first section shows that customers expect Bell Atlantic sales personnel to be able to market the full range of Bell Atlantic products and services. The second section shows that many customers are confused and angered by the inconvenience caused by the Commission's existing CPNI rules. The business office procedures that cause customer transfers to more than one representative were prompted by the requirements of the Commission's CPNI rules.

Customer Expectations

1. "[The people at] Bell Atlantic are the experts. Have them look at my business and provide me with the services that fit my needs."
2. Bell Atlantic "should objectively assess your present and future needs and recommend what is appropriate."
3. "The company should look for ways to improve my services to my customers with [a full range of] telecommunications products.... Think of the customer's customer."
4. "Marketing reps. should tell me what is best and most economical to meet my needs."
5. "Marketing reps. should tailor the products/services they offer for the customer's needs."
6. "Marketing reps. should contact customers periodically to check on how things are going, inquire about new needs and inform them about new services that may be coming up."

7. "The company should be proactive in contacting customers about services [and products]."
8. "We'd like to be able to pick those options that would be good for our business [rather than having to pick among all of the company's offerings]."
9. "I don't want to have to keep making decisions; give me a service and a price and be done with it."
10. "I want the vendor to put a complete package together."
11. "[Bell Atlantic should] give you a personal service representative, one person responsible for [all services in] your account. If you have a problem or a concern, you can get on the phone and he's going to be able to readily solve it."

Confusion and Anger

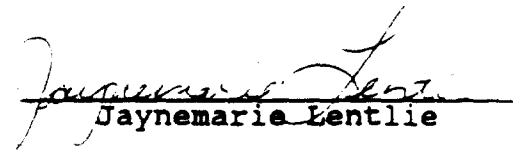
1. Customer annoyed and angered when sales rep. (authorized to sell CPE and enhanced services) could not access the customer's CPNI-restricted records to help remedy a repair problem.
2. Customer with CPNI restriction who called account rep. for recommendations about best range of solutions (including CPE and enhanced services) to meet business problem was confused that rep. could not access records for that purpose.
3. "It would make sense to me you should be able to customize the features by line, and [there should be] some way to easily address that with Bell Atlantic if your needs change without going through some labyrinth [of different personnel or] voice messages."
4. "The Rep. who answered the phone couldn't give me rates for Answer Call. I didn't like being transferred."
5. "I think the FCC ruling about CPNI is ridiculous and it needs to be changed."
6. "I called to get information on voice mail, and I had to be transferred.... I'd also called before and the Rep. who answered the phone couldn't answer my questions that time either."
7. "It takes a lot of time to fill out the [CPNI authorization] form in my bill, find a stamp and mail it."
8. "I don't understand [the CPNI notification letter]. Restrict me to the max."

The following are statements from Bell Atlantic Service Representatives reporting on the many complaints they have received about CPNI:

1. "Customers just don't understand CPNI."
2. "Customers tell us they don't like to be transferred, they just want to talk to one person who can look at all the records."
3. "Customers think CPNI means they'll never get another solicitation call from anyone about anything."
4. "This is no different than any other business. If a customer asks you a question, you want to look in their records to answer them."
5. "If we do not have access to a customer's record, how can we improve their services and reduce their costs? We do that all the time, change something they have to something better based on something we saw in their records."
6. "Most customers have little or no record of their services. They rely on us to tell them what they have."
7. "It's insanity that you can't look at a customer's record when they ask you a question. No other company in it's right mind operates that way."

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Supplemental Comments of Bell Atlantic" was served this 5th day of May, 1994, by first class mail, postage prepaid, on the parties on the attached list.


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